

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

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## Australia

## Cotton and Products Annual

## 2011

**Approved By:**

Grant Pettrie, Agricultural Counselor

**Prepared By:**

Mike Darby, Agricultural Specialist

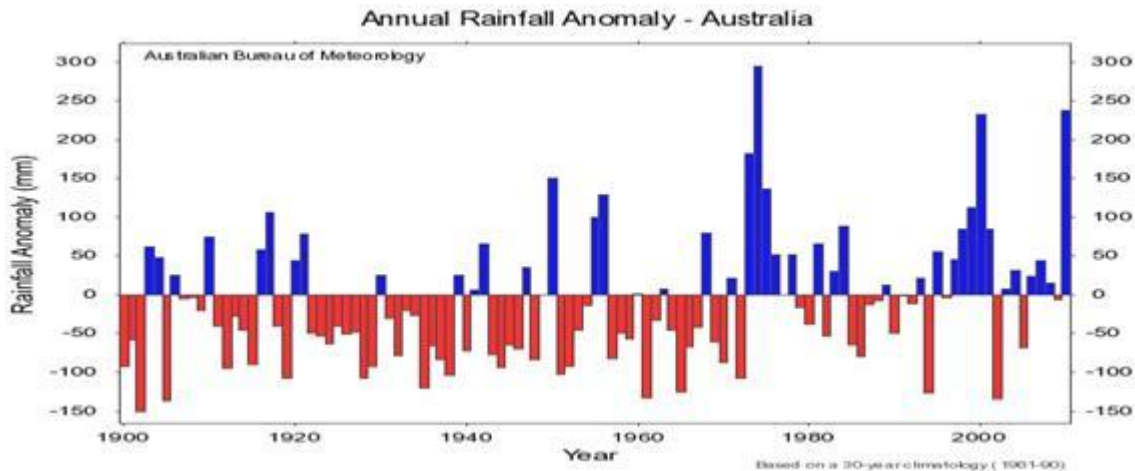
**Report Highlights:**

Australian cotton production is forecast to increase to a record 4.84 million bales in 2011/12, despite a forecast fall in planted area. Greatly improved water availability is expected to boost area planted to irrigated cotton and lift overall yield. Exports are expected to also reach record levels in 2011/12 due to higher production, continued strong export demand and a higher carryover of stocks from 2010/11. The 2010/11 harvest has yet to begin in earnest. Early reports suggest some disappointing yields, although this will likely improve as harvest moves forward.

## Summary:

Australia appears to have fully recovered from the long and severe drought which began in 2002/03. Widespread soaking rains on Christmas day 2009 began a year of above-average rainfall and cooler temperatures. The recent spring (September 2010 to November 2010) and summer (December 2010 to February 2011) periods are purported to be the wettest on record with major flooding in the worst affected areas. The period January–December 2010 has been commonly compared with the legendary rainfall year of 1974, which saw devastating cyclones (Cyclone Tracey) in northern Australia and heavy flooding in southern and eastern Australia.

Going forward, average rainfall has been assumed for 2011/12 (Aug-July) and the remainder of 2010/11. However, it appears obvious that Australia is going through a prolonged period of very high rainfall and, if this rainfall persists into the future, Post will likely be required to revise current estimates and forecasts. Long-term historical weather data in Australia shows similar long periods of high rainfall have occurred in the past.



*Source: Australian Bureau of Meteorology data*

Post estimates 2010/11 cotton production at an all time record and forecasts another increase for 2011/12, despite a forecast reduction in planted area. Exports are also expected to reach record levels due to high production and high export demand. Planting of the 2011/12 crop is expected to begin in October 2011 and is likely to continue until November.

Harvest of the 2010/11 crop is yet to begin in earnest. At the time of writing this report, there are varying reports on the expectations of 2010/11 crop yields. Harvesting of early dry-land crops and far northern irrigated crops have uncovered some disappointing yields due to excessive rain, flooding, cooler conditions and a dry finish in some areas. Yields are expected to improve as harvest progresses

## Commodities:

Cotton

## Statistical Table

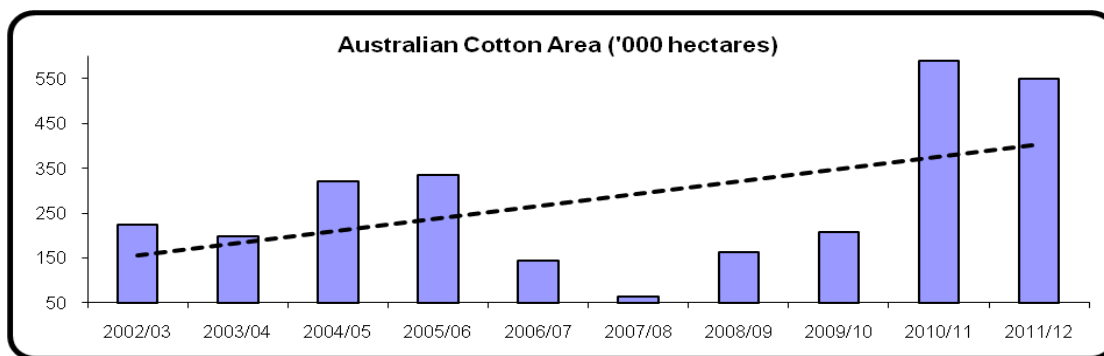
Cotton Australia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	200	200	600	600		560
Beginning Stocks	979	979	749	749		2,239
Production	1,775	1,775	4,500	4,380		4,840
Imports	0	0	0	0		0
MY Imports from U.S.	0	0	0	0		0
Total Supply	2,754	2,754	5,249	5,129		7,079
Exports	2,115	2,115	3,000	3,000		4,200
Use	40	40	40	40		40
Loss	-150	-150	-150	-150		-150
Total Dom. Cons.	-110	-110	-110	-110		-110
Ending Stocks	749	749	2,359	2,239		2,989
Total Distribution	2,754	2,754	5,249	5,129		7,079

Planted Area

Total planted area for cotton in 2011/12

1000 HA, 1000 480 lb. Bales

2 is forecast at 560,000 hectares representing a decline on the 600,000 hectares estimated for 2010/11. Average weather conditions for 2011/12 have been assumed, and this is likely to see total area planted to cotton decline somewhat due to a significant decrease in expected dry-land plantings. This decline will likely be partially constrained by another increase in the area planted to irrigated cotton.



Source: ABARES Data

A continuation of above-average rainfall experienced throughout 2010/11 would likely see total planted area revised upwards, driven by higher-than expected plantings of dry-land cotton.

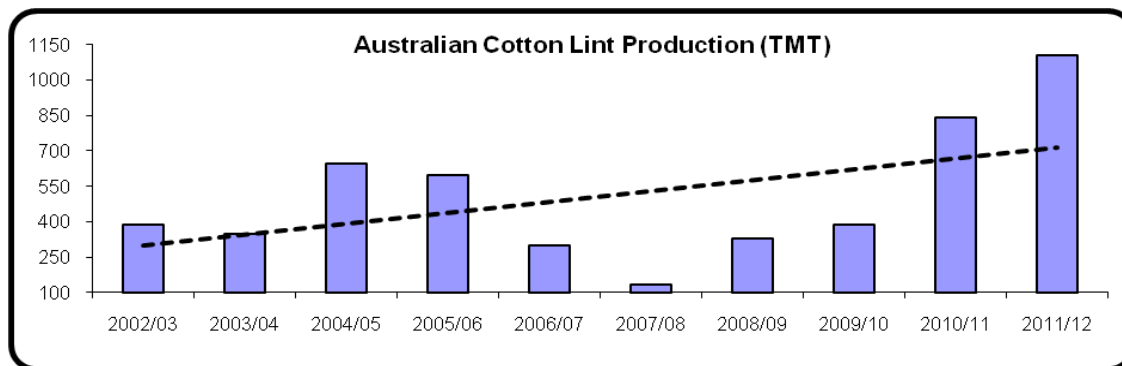
Total area planted to cotton for 2010/11 is estimated at an all-time record of 600,000 hectares, surpassing the previous record of 561,500 hectares planted in 1998/99. This record total area figure was motivated by the extremely high plantings of dry-land cotton driven by excellent soil moisture conditions and high prices.

## Yield

An average yield of 8.64 bales per hectare for 2011/12 has been assumed. This represents a slight increase on the 8.05 bales per hectare assumed for 2010/11, and reflects the assumption of a reduction in area planted to the lower yielding dry-land cotton.

## Production

Total cotton production for 2011/12 is forecast at 4.840 million bales, surpassing the estimated record crop of the previous year. Increased irrigation water availability and high prices are expected to result in increased area planted to high yielding irrigated cotton, increasing overall yield despite a lower total planted area.



Source: ABARES Data

Confidence in cotton production at present is considered to be at an all time high. Furthermore, historically high rainfall has allowed many producers to carryover much of their 2010/11 irrigation water to 2011/12 and, combined with the expected high allocations for 2011/12, is likely to deliver an abundance of irrigation water for the foreseeable future.

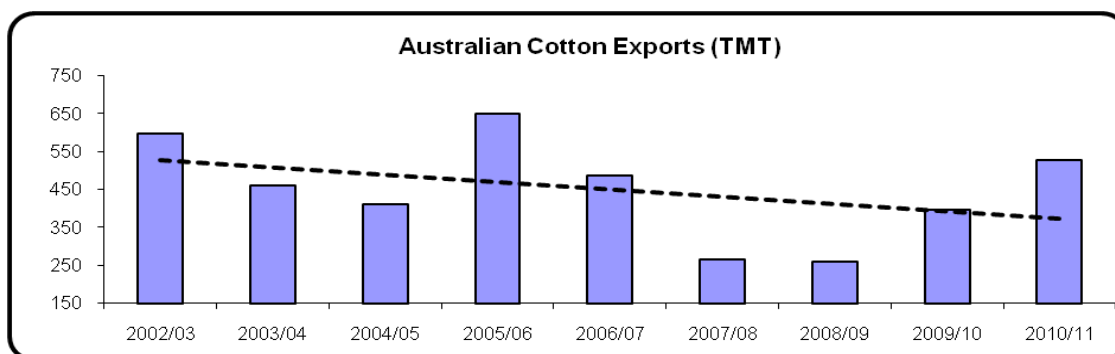
Total cotton production for 2010/11 is estimated at 4.38 million bales. This forecast is contingent upon a total average yield of 8.05 bales per hectare which remains below the ten-year-average of 9.1 bales per hectare. This would be considered to be a conservative estimate and reflects the historically high proportion of dry-land plantings. A dry-land yield of 4 bales per hectare and an irrigated yield of 10 bales per hectare has been assumed. Early results have fallen well below Post's expectations although sources expect yields to improve as harvest progresses.

The estimated record crop for 2010/11 is likely to stretch harvesting resources. Years of drought and comparatively higher prices in the resources sector has seen a sharp decline in the availability of labor for cotton production. Poor profitability and smaller crops have also seen a reduction in capital investment. Despite the recent increase in confidence, a record 2010/11 crop will be difficult to harvest in a timely manner. Although Post has anticipated average weather conditions, some delays and some downgraded cotton (due to wet weather) are to be expected. In the event of above-average rainfall, widespread interruptions and (in the worst case scenario) abandonment of some cotton areas would be likely.

At the time of writing this report, much of the 2010/11 crop is experiencing dry conditions and growers remain hopeful of a dry harvest. Also, the recent introduction of new cotton picking technology (picker round-baler) is likely to ease shortages of harvesting capacity somewhat.

## Exports

Total exports of cotton for 2011/12 are forecast at 4.2 million bales, surpassing the previous record of 3.26 million bales exported in 2001/02 (according to ABARES historic data). Record high production, high carryover stocks and strong export demand is likely to drive exports to record levels.



Source: ABARES Data

Total exports for 2010/11 are estimated at 3.0 million bales, which would be considered well above-average. The domestic supply of cotton is likely to surpass this figure although exports will likely be partially constrained by processing capacity. This constraint is likely to see closing inventories for 2010/11 increase, partially at the expense of exports, as some 2010/11 production is carried over to 2011/12 exports.

Industry sources remain confident that existing processing capacity, including some of the recently re-commissioned capacity, can achieve record monthly shipments for the remainder of the 2010/11 season (May-July).

### Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:

<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

Title of Report	Date
<a href="#">Grain and Feed Annual 2011</a>	03/29/11
<a href="#">Livestock and Products Semi-annual 2011</a>	03/18/11
<a href="#">Wine Annual 2011</a>	03/10/11
<a href="#">Public Attitudes Towards Agricultural Biotechnology in Australia</a>	03/08/11
<a href="#">Review of Food Labeling &amp; Policy</a>	02/24/11
<a href="#">Grain &amp; Feed Lock-Up – February 2011</a>	02/01/11
<a href="#">Citrus Annual 2010</a>	12/15/10
<a href="#">Ag DownUnder - Issue 7 2010</a>	12/10/10
<a href="#">Winter crop harvest under way as rain continues in eastern Australia</a>	11/30/10
<a href="#">Australia Moves toward Phasing Out the Use of Sow Gestation Stalls</a>	11/24/10